The NATIONAL UNDERWRITER

63rd Year No. 1 —The National Weekly Newspaper of Life Insurance— January 3, 1959

Hails Borrow-To-Buy Plan As 'Giant Step'; Discounts Attacks

By ROBERT B. MITCHELL

NEW YORK—Financed life insurance, also known as minimum deposit, is a giant step forward in furnishing large amounts of death indemnity for a small cash outlay—and this fact should not be obscured by the dust that is currently being stirred up over what are really side issues.

This statement was made by William H. Bender Jr., general agent here for National Life of Vermont, one of the leading companies writing the high early cash value policies on which the minimum deposit plan is based.

Mr. Bender said criticisms of certain incidental aspects of financed life insurance are causing some distorted thinking on the basic validity of the financed insurance concept.

Fits With Present Economy

"Our present economy demands exactly what financed life insurance offers—high indemnity at a low cash outlay," Mr. Bender told THE NATIONAL UNDERWRITER, "The so-called fifth dividend option, providing one-year term equivalent to the cash value being borrowed, overcomes the former valid objection that the face amount of coverage was being steadily reduced.

"Any new idea or philosophy that conflicts with the conservative precepts of our business finds hard going. This is particularly true in the early stages, for the proponents are very much in the minority and the cause they are championing is foreign to the great majority.

Has Brought Pressure

"This difference of opinion has brought pressure and peculiarities into the picture. Basic principles have been constantly by-passed and the side issues magnified. Reduced to essentials, financed life insurance is nothing more than the theory of sell and lease-back applied to life insurance. It has been most successfully used in business, and that usage has been amplified because of our present economy.

"A brilliant commentator recently pointed out that the substitution of leasing for owning is spreading rapidly, for it allows funds to be put to better use and acts as a hedge against

(CONTINUED ON PAGE 11)

Boston Again Leads Other Major Cities In Ordinary Gains

Boston still topped other major cities with a rate of increase in ordinary sales during November of 18% for the month and 25% for the first 11 months. Percentage gains in ordinary sales in November and the first 11 months for other large cities, respectively, were Chicago 2 and 0, Cleveland -7 and -1, Detroit -9 and -6, Los Angeles -2 and 3, New York City 5 and 10, Philadelphia -2 and -3, and St. Louis -9 and 0.

E. A. Stowell New O. Superintendent

Edward A. Stowell, a Toledo attorney, has been appointed Ohio superintendent of insurance, a position of cabinet rank in that state. He succeeds Arthur I. Vorys.

Mr. Stowell is in private practice in Toledo, but before going into legal work was an agent for New York Life for a while after graduating from the University of Toledo law school. He is 34 years old.

Teachers Hear Both Sides Of Regulation, Curriculum Issues

McGill Elected President, Hedges Moves To 1st V-P; Elizur Wright Award Given

By R. R. CUSCADEN

The academic side of insurance received a full two-day airing this week as American Assn. of University Teachers of Insurance held its annual meeting in Chicago.

Topics under discussion ranged from those within the ivy walls (insurance curricula) to those without (state vs federal regulation). It was perhaps this wide diversification of subjects which made for so many well-attended sessions. It will certainly make for much additional discussion when the teachers return to their various and far-flung campuses.

Dan McGill, University of Pennsylvania, succeeded William T. Beadles, Illinois Wesleyan, as president, and J. Edward Hedges, Indiana University, moved up to 1st vice-president. Other officers elected were: Davis W. Gregg, American College, 2nd vice-president; Kenneth W. Herrick, Texas Christian, secretary-treasurer (reelected); Kenneth Black Jr., Georgia State, active committee member, and Chester M. Kellogg, A. M. Best Co., associate committee member.

Monday afternoon featured just two speakers, but as they represented diametrically opposite poles of opinion, their listeners did not lack a full afternoon of interest. Although not billed as such, Victor Hansen, U. S

(CONTINUED ON PAGE 14)

Pacific Mutual Life Takes Its Minimum Deposit Off Market

Pacific Mutual Life has withdrawn from the market its full-reserve, first-year cash value contracts, effective Dec. 31. The announcement was telegraphed to Pacific Mutual agencies by President T. S. Burnett.

In a follow-up message, Ralph J. Walker, vice-president, stated that "no action as important as the withdrawal of this policy form was taken without careful consideration of cause and effect."

The minimum deposit, life paid at age 95 policy has been a sales leader ever since it was introduced in May, Mr. Walker said. "In less than eight short months we have seen this policy go from a standing start to a point in a recent two-weeks' period when it represented 31% of our new business applied for.

Lacks Sound Basis

"During this same period, however, your company has become increasingly concerned about the long term social and economic aspects of minimum deposit life insurance. We have withdrawn the policy because, in our opinion, it cannot be sold for the long term on an economically sound and socially proper basis.

"We deplore having to take an action which tends to deprive even a few people of a needed service when that action results from our inability to devise proper control. But we have an obligation to our policyholders and to our field force to give leadership of the highest quality. We have an obligation to look to the future as well as to the present."

Nw Mutual Agents Barred From Sale Of Mutual Funds

Northwestern Mutual Life's director of agencies, Robert E. Templin, has sent the following circular letter to all agents of record:

Recently, a number of mutual funds distributors have been advertising for and soliciting life insurance agents in an attempt to acquire a ready-built trained sales force.

Their recruiting sales talk is based on the questionable premise that "your prospects and policyholders are going to buy mutual funds from someone; you might as well get the commission." Of course, this could apply to almost anything that is sold by a commission salesman.

Regardless of what our opinion may be as to the merits of mutual funds as investments, it is obvious that their sale in most instances is competitive with, rather than complementary to, life insurance.

So that there may be no possible misunderstanding of the company's attitude, this letter is to inform all agents that the sale or attempted sale of mutual funds by any full-time agent under contract will be considered a violation.

I am confident that this action will meet with the hearty accord of the vast majority of our agents.

Prudential's Millionth A&S Policy

Prudential has just issued its one millionth individual A&S policy. The insured is an eastern newspaper publisher. The policy is a hospital and surgical expense plan for himself and his family.

Cal. Edges N. Y. In NALU Members

California Assn. of Insurance Agents has overtaken the New York association in the total membership derby, becoming the largest member organization of National Assn. of Life Underwriters, according to Hal Currier, NALU membership promotion director. The California organization has 5,870—just a shade ahead of the Empire state's 5,866.

Number 5,867, the member that put California ahead, is Walter P. Ruedrich, Washington National, Oakland.

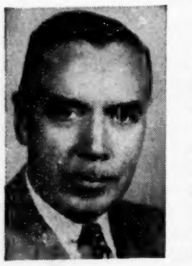
Walter P. Ruedrich, Washington National, Oakland, receives congratulations for becoming member No. 5,867 of California Assn. of Life Underwriters—the number which put California ahead of the New York association as the largest association in NALU. From the left are: Harry R. Pinney, Bankers Life Of Nebraska, Oakland, president of the California association; Mr. Ruedrich; John A. Reginato, San Francisco, Mr. Ruedrich's general agent, and Robert K. Wahl, National Life of Vermont, Oakland, who recruited Mr. Ruedrich.

Phillips Sees Minimum Deposit Creating Bad Public Relations

NEW YORK—Analyzing the minimum deposit plan in considerable detail, James T. Phillips, senior vice-president and chief actuary of New York Life, has prepared a statement on it that concludes: "Minimum deposit arrangements seem to have many ingredients which could ultimately lead to bad public relations on a large scale. They are fraught with elements which are bad for the policyholder, the agent, and the company."

New York Life's views on minimum deposit were set forth Nov. 21 in a letter to the field force from Executive Vice-president Dudley Dowell. Mr. Dowell has sent Mr. Phillips' statement to all New York Life field officers and managers, with copies to office managers. The statement follows.

The so-called "minimum deposit" concept, and the way in which it has been used, has created a number of problems. The significance of the problems which have developed warrant careful consideration since they involve a number of aspects which concern the policyholder, the agent and the company.



James T. Phillips

First of all, let's consider the policyholder. The first thing which appeals to the policyholder is the relatively small amount he has to put up initially in order to buy a certain face amount of "whole life" insurance. The initial outlay under a minimum deposit arrangement certainly looks more attractive than that under a similar policy bought in the regular way.

For example, suppose a man who is age 45 wants to buy $100,000 of "whole life" insurance under a minimum deposit arrangement. He could do this in one company, which has a high early cash value policy with cash values equal to the reserve from the end of the first year, by putting up an initial payment of only $1,148. In another company with a policy providing for cash values equal to the reserve from the end of the third year, the initial outlay would be $1,975.

These amounts compare with initial outlays of $3,404 and $3,345, respectively, for comparable "regular" policies, assuming no loan financing is involved.

Keeps Loan At Maximum

The initial outlay does not, of course, represent the whole story. An unfortunate aspect of the minimum deposit approach is that, right from the issuance of the policy, it is generally contemplated that the policyholder will use the yearly increase in loan value to help finance the policy. In other words, a maximum policy loan is maintained at all times.

The effect of this type of financing is to give coverage which decreases from year to year accompanied by an increasing net outlay in relation to the current coverage. Various devices (for example, increasing term insurance riders or one year term insurance dividend options) have been developed in an attempt to keep the coverage at a level amount for some period of years. But these devices naturally operate to still further increase the policyholder's yearly outlay.

Others Hold The Bag

Another factor the policyholder should carefully consider is that the very nature of these high early cash value policies is such that the policyholder who surrenders in the early years takes out more than the funds on hand. This naturally leaves a deficit which will have to be liquidated by those who do not surrender these policies. This must be so unless, of course, the company spreads the burden of any such losses among its other policyholders.

The policyholder is generally also told about an anticipated tax savings. While this is a featured aspect of minimum deposit arrangements, it is largely a delusion, even for the select few in high enough tax brackets to make the arrangement look good on paper. Where an individual enters

(CONTINUED ON PAGE 18)

YEAR IN REVIEW

Family Ownership Of Life Coverage Reaches Peak $493 Billion In 1958

Insured American families in 1958 boosted their average life insurance to $11,000, increased their aggregate ownership to over $493 billion and received about $7,275,000,000 in life insurance benefit payments. This thrift record accomplished by 112 million policyholders was reported by Institute of Life Insurance.

In comparing the year's results with aggregates current when it was founded 20 years ago, the institute reported that the amount of life insurance owned per family has increased more than three times, the total of life insurance in force has increased 4½ times and benefit payments were almost three times the amount paid 20 years ago.

The year's purchases of new life insurance are estimated at $65.5 billion, about $1.2 billion less than in 1957, but more than six times the amount of life insurance bought in 1938. The amount purchased this year was equal to 60% of the amount of life insurance in force when the institute was founded.

Group Sales Drop

The year's decline in purchases was due primarily to a decrease in the amount of group insurance bought in 1958, the institute noted. A majority of business and industrial concerns now have group insurance programs, which has resulted in a leveling off in the issuance of coverage under new group contracts. On the other hand, American families purchased more individual life insurance protection in 1958 than in any other year, as purchases of ordinary insurance reached record proportions.

Estimated ordinary insurance purchases of $47.5 billion accounted for more than 70% of the new life insurance bought in 1958 and were approximately $1.9 billion more than was bought last year and more than seven times the 1938 amount. At the close of the year, there was an estimated $288 billion of ordinary life outstanding, a 9% gain over 1957.

Group life purchases, estimated at

(CONTINUED ON PAGE 13)

Nw Mutual Makes Major Changes In New Policy Series

MILWAUKEE—Lower rates for women and reduced gross premiums on many plans are among highlights of the completely new policy series which Northwestern Mutual Life made available to the public Jan. 1. Changes in premiums, plans, features and benefits which are described by President Donald C. Slichter as "more major advances than have ever been offered at one time in our 102-year history," include:

Female Mortality Lower

Reduced gross premiums on many policies; lower rates for women, based on the fact that female mortality is lower than male mortality; the company's first accidental death benefit; first retirement annuity plan for individuals; a system of life income option rates new to the life insurance industry; several new plans designed to meet expanding insurance needs, such as a graduated premium plan.

The new series also adds flexibility

(CONTINUED ON PAGE 10)

Smith Renamed In Pa.

Francis R. Smith will continue as commissioner in Pennsylvania, Gov.-elect David L. Lawrence has indicated. The new governor, of the same politics as his predecessor, takes office Jan. 20. The commissioner's salary will be $20,000 instead of $15,000 as a result of a state salary revision by the legislature.

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Great Southern To Pay $330,100 In Dividends

Owners of participating policies in Great Southern Life will receive $330,100 in policy dividends during 1959, approximately $20,000 more than was distributed in 1958.

Directors also declared a stockholders dividend of 40 cents per share, for the first quarter of 1959, payable next March. This is at the same rate as recent dividend payments.

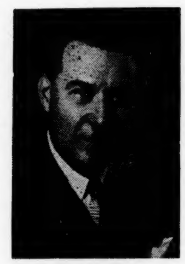
Institute President Sees In-Force At $530 Billion In '59

Predicts Average Family's Ownership Will Be $11,500 Before Close Of The Year

Elsewhere on this page is reported a review of the life insurance business during the year just past provided by Institute of Life Insurance. In the following article, Holgar J. Johnson, institute president, takes a hard look at what the future holds for the life industry in 1959 and comes up with some encouraging estimates.

By HOLGAR J. JOHNSON

The life insurance business in 1959 will continue to build upon its unparalleled thrift performance, stimulated to greater merchandising efforts by the dual competition from outside the business and from among the more than 1,300 companies who will be serving close to 115 million American policyholders by the end of the year. Current public caution in spending has resulted in a greater awareness and response to all forms of savings and security programs.



Holgar J. Johnson

The insured American family is expected to raise its average ownership of life insurance to the $11,500 level in 1959 with aggregate ownership passing the $530 billion mark. Still, as the year concludes, there will be far too many families whose insurance protection is inadequate, or who have no protection at all.

New Purchases Over $70 Billion

We can expect however, that in the year ahead life insurance will be purchased by more people and in greater individual amounts than ever before. There is every indication that new purchases will exceed $70 billion during 1959 with ordinary life insurance continuing to provide the greater percentage, perhaps 70% of the total bought.

Expanded merchandising activity on the part of the life companies in 1959 should assure record purchases of ordinary insurance, while the forecast for improved business conditions holds the prospect of an upturn in group purchases.

Liberalized underwriting provisions based upon continued good experience, discounts for larger quantity purchases and the introduction of new policies to meet current economic conditions will encourage what could be a record number of families to provide the protection commensurate with the better standard of living they have achieved.

Benefits Stepped Up

The continuous flow of benefits to policyholders and their beneficiaries will be stepped up in 1959 with pay-

(CONTINUED ON PAGE 9)

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Porter O. Payne

Porter Payne learned well the lessons of competition as an undergraduate at the University of Georgia where, in two successive years, 1948-49, he earned All-American football honors. He also played on the winning All Star team in Chicago in 1950.

GENERAL AGENCY OPPORTUNITY IN SOUTHERN OHIO

Without Franklin specials, it would have been impossible . . .

Atlanta, Georgia
December 3, 1958

Mr. F. J. O'Brien, Vice President
Franklin Life Insurance Company
Springfield, Illinois

Dear O'B:

I should like to take this opportunity to express to all of you at the Friendly Franklin my sincere thanks for the cooperation you have given me since I came with the company.

It was my vow at the beginning of the year to sell a million of insurance and I find that through November 30th I have sold $1,104,707. My first year commissions on this 11 months' production should exceed $25,000.

Without the Franklin specials I feel this would have been an impossibility. But I find public acceptance of our plans to be amazingly high.

If I am to repeat my performance in 1959 I realize I must apply some of the principles I learned in playing football. It is important to follow through after tackling a job and to block out all obstacles that might stand in the way.

My sincere thanks to all you at the Home Office; Henry Wagnon, my General Agent; and Knox Wyatt, my Regional Manager, for this opportunity.

Cordially,

Porter O. Payne

An agent cannot long travel at a faster gait than the company he represents!

The Friendly
FRANKLIN LIFE INSURANCE COMPANY
CHAS. E. BECKER, PRESIDENT SPRINGFIELD, ILLINOIS
DISTINGUISHED SERVICE SINCE 1884
The largest legal reserve stock life insurance company in the U.S. devoted exclusively to the underwriting of Ordinary and Annuity plans
Over Three Billion Dollars of Insurance in Force

75th ANNIVERSARY

Attacks On Interest Deduction To Carry Policies Noted By Huber In Emmons Case

By SOLOMON HUBER

General Agent, New York City
Mutual Benefit Life

Attacks by the commissioner on deduction of interest incurred to carry policies continue. Two cases involving annuities were decided against the taxpayer by the tax court on Oct. 10th. In the Emmons case cited as 31 T. C. No. 4, this was the sequence of events.


Solomon Huber

In 1951 Emmons bought an annual premium annuity policy calling for 41 annual payments of $2,500 each. He paid the first premium and the policy was issued as of Dec. 20, 1951.

On Dec. 21, 1951, Emmons "borrowed" (quotes are the court's) $59,213.75 from a bank, on his personal note pledging the policy as collateral. With this amount he prepaid all premiums at a discount, causing the bank to credit the loan to the account of the insurance company (policy). Emmons in effecting the paid-up policy was never in possession of any funds which he could apply to any purpose.

Paid $13,627.30 As Interest

On Dec. 24, 1951, Emmons paid $13,627.30 to the insurance company as interest to Dec. 20, 1956, on an anticipated loan and was given a receipt so indicating. This brought the loan or cash value up to $68,364, which would normally have been the case five years later.

On Dec. 27, 1951, Emmons received from the insurance company such amount and executed an "annuity loan agreement." He repaid the earlier loan to the bank along with $45.55 in interest from the proceeds.

On Dec. 31, 1952 Emmons paid the insurance company $9,699.64 as "annuity loan interest to Dec. 20, 1959." This brought the cash or loan value up to $73,728, which it would normally have been in 1959. This increase of $5,364 was received by Emmons who executed a second "annuity loan agreement."

After reviewing the transactions the court said: ". . . The deductions here sought must be denied. While in form the payment relied upon by petitioner appears clearly to constitute interest within the meaning of section 23(b) of the internal revenue code of 1939, the entire transaction lacks substance. . .

"Section 23 (b) requires a payment for the use or forebearance of money, and not a payment in pursuance of a plan (the creation of an interest deduction) having no relation to the purported result, the purchase of an annuity. The real payment here was not the alleged interest; it was the net consideration, i. e., the first year's premium plus the advance payment of future premiums plus the purported interest, less the 'cash or loan' value of the policy. And the benefit sought was not an annuity contract, but rather a tax deduction of that part of the gross outlay designated for that purpose as 'interest.'

"Petitioner did not seek an annuity, and in fact gave up all substantial rights of an annuitant in order to reach his true goal, deductions in an amount large enough to reduce his taxes in a sum greater than the net consideration or cost to him of the entire operation.

"We might well characterize petitioner's activities here as an operation having no business or annuity or borrowing purpose—a mere device which put on the form of a loan as a disguise for concealing its real character, and the sole object and accomplishment of which was the consummation of a preconceived plan, not to borrow money (or purchase an annuity) but to create a deduction for income tax purposes.

Solely A 'Contrivance'

"Similarly, we may freely concede the reality and validity of the annuity contract introduced into evidence. But it was acquired solely as a 'contrivance,' to the end that petitioner should acquire an interest deduction. Paraphrasing once more, the entire transaction, although in terms within section 23(b), was an elaborate and devious attempt to create a deduction for tax purposes masquerading as the purchase of an annuity policy.

"Here there was no independent nontax transaction in contemplation to which the sham activity was merely subsidiary; the sole activity, its beginning and end, was the production, where none would otherwise have existed, of a deduction.

Existence Not Relevant

"We do not consider relevant the fact that the policy in question still existed at the date of this hearing. The various actions taken with respect thereto were such as to make its lapse prior to its 1959 anniversary date impossible. We find it far more significant that the alleged 'loan,' despite petitioner's assertion of an intention to continue the policy, has not been repaid. In fact, petitioner qualified his statement of intention in the following significant language:

'I would like to continue the plan, and I will continue it very definitely, if the interest deductions are allowed. . .'

"If the deductions claimed are not to be allowed, there is no possibility and there could never have been a possibility that petitioner's transactions will result other than in a loss. Insurance companies find it convenient to realize profits, and thus the 'interest' on a loan of 'cash or loan' value is necessarily greater than the increases in value of the same policy. To recognize this fact is to recognize that the sole value of the series of acts undertaken lies not in any business, investment or annuity purpose, but solely in the tax field."

In the Weller case cited as 31 T.C. No. 51 the court contented itself with saying . . . "The facts before us differ in no material sense from those in W. Stuart Emmons" . . . and again disallowed the interest deduction.

Despite the ruling against the commissioner in the Bond case decided in the U. S. court of appeals, 5th circuit on July 18, bank-loan salesmen are disturbed by the new cases. They can be more than mere straws in the wind.

Ind. A&S Probers Make Four Recommendations For Legislative Action

The Indiana joint legislative committee which has been investigating hospitalization insurance in the state has drafted four bills it recommends for passage in the state's general assembly convening this month.

The first bill would establish an advisory board to the insurance department; the second would prohibit tax supported or tax exempt hospitals from entering into contracts with insurers for the rendering of services without regard to actual costs; the third would require a written examination for all types of agents' licenses; and the fourth would give the department an additional 30 days in which to reject any new policy forms, riders, or endorsements filed with it.

Makeup Of Board

The proposed advisory board would be appointed by the governor and consist of a life man, a fire-casualty man, an A&S man, a person not connected with the insurance business, and the insurance commissioner as an ex officio member. Functions of the board would include administrative counsel with the department, regulations governing the operation of the department, and investigation of all matters under the jurisdiction of the department.

The primary effect of the licensing bill would be to require departmental examination for a life license, which is now issued on the completion of an approved course of study. All other types of licenses in the state already require a departmental examination.

Under the present law, new policies, riders, and endorsements, are submitted to the department, which has 30 days in which to object. If it does not object in that time, the form may be issued. The new law permits the department to take another 30 days on notification to the company within the first 30.

FTC Dismisses Ad Charges Against Reserve Life

Federal Trade Commission has dismissed for lack of jurisdiction charges that Reserve Life of Dallas in some of its advertising misrepresented benefits provided by its A&S policies.

An FTC announcement said that the commission granted Reserve Life's motion to dismiss based on jurisdictional grounds stated by the Supreme Court in its per curiam opinion handed down last June 30 in the National Casualty and American Hospital & Life cases.

Help your family to a healthy, happy winter...

THERE IS, of course, no *sure* way to escape colds and other respiratory ailments during the raw and chilly months of winter. But there are certain safeguards that you can take *now* to help you go through this season in better health—and enjoy some of those invigorating days that the winter season always brings.

Keep in top physical condition. If you neglected to have a health examination during the past year, now's the time to see your doctor for a check-up. If you're especially susceptible to colds, he may want to give you one of the immunizing agents to increase your resistance.

Eat a well-balanced diet. Food provides fuel for warmth and energy . . . and what you eat has an effect on whether you catch colds easily and whether you recover *quickly* from an illness. If your meals—including a good breakfast—are based on a wide variety of foods, you can be sure of getting all the proteins, vitamins and minerals you need.

Get lots of rest and sleep. Fatigue can lower your resistance to respiratory diseases. Plenty of rest, sleep and recreation can help you avoid that "run-down" feeling that so many people complain of during the winter season.

Stay away from people who have colds. When someone has a respiratory disease, it's easy to pick up germs from the sick person. Be particularly careful to protect young children from people who sneeze and cough carelessly.

Avoid drafts and chilling and always wear clothing suited to weather conditions. It's also wise to stay out of crowds.

If you protect your health in these ways, the chances are that your resistance to colds, virus infections and pneumonia will be increased. In the event you develop one of these ailments, your ability to fight the infection and recover quickly will be greater.

Remember that the danger of the common cold lies mainly in other infections that may follow it. So, if your cold is accompanied by fever, a persistent cough, or a pain in the chest, face or ear, call your doctor promptly.

Metropolitan Life Insurance Company
(A MUTUAL COMPANY)
1 MADISON AVENUE, NEW YORK 10, N. Y.

This advertisement is one of a continuing series sponsored by Metropolitan in the interest of our national health and welfare. It is appearing in two colors in magazines with a total circulation in excess of 35,500,000 including Time, Newsweek, Saturday Evening Post, Ladies' Home Journal, Good Housekeeping, Redbook, Reader's Digest, National Geographic, U. S. News.

Life Policyholders Death Rate Climbs Again During 1958

For the second consecutive year, the death rate among life policyholders showed a slight increase in 1958, according to Institute of Life Insurance. Diseases of the heart and arteries continued to take the major toll with the death rate from these diseases showing an increase in 1958. Deaths from these circulatory diseases accounted for well over one-half of policyholders' mortality in 1958.

Cancer ranked second as a cause of death with the 1958 experience showing a slight increase over the previous year. Together, cancer and the cardio-vascular-renal diseases accounted for about three out of four policyholder deaths this year.

While 1957 was the epidemic year of Asian influenza, its effects extended into 1958 and were reflected in the year's death rate. Mortality from pneumonia and influenza will again be at a high level, resulting in most part from the high incidence of respiratory ailments prevalent during the first half of the year.

Polio Deaths Decline

The success in conquering polio was indicated in the mortality trends reported by the institute, as deaths from this disease reached a new low. The death rate from tuberculosis, once a serious health menace, was about 75% less than it was 10 years ago.

Keesling Backs 'Surplus Interest' As Sole Tax Basis

WASHINGTON—A strong endorsement of the "surplus interest method" for federal taxation of life companies has been presented to the Mills subcommittee of the House ways and means committee by Francis V. Keesling Jr., 1st vice-president and general counsel of West Coast Life.

F. V. Keesling Jr.

Mr. Keesling's views were submitted for the record of the subcommittee's hearings, before which he had earlier appeared.

The surplus interest tax method, sometimes called the Menge plan, would levy federal income taxes on life insurance companies based on the investment income of each individual company after proper allowance for reserves with which to meet future claims of policyholders and other adjustments. The tax would not involve industry averaging of investment income as did former tax methods based on the investment income method.

Best For All Concerned

The surplus interest approach, Mr. Keesling said, should be used "100% across the board" for all companies "in the best interest of the government, the public and the industry."

Other formulas under consideration by Congress, including the total income approach taxing the companies' so-called net gains from operations, and a method producing a combined tax levied on both the investment income of the companies and their net gains from operations were described by Mr. Keesling as unsound and discriminatory against many life insurance companies.

He submitted charts to the subcommittee showing that a company paying taxes based wholly or in part on net gains from operations could by reserve calculation adjustments materially determine the amount of federal taxes it would pay. Sharp variations in the amount of taxes paid by otherwise identical companies could be brought about by using differing assumed interest rates in calculating the values of their reserves, the charts showed. This in turn would heavily influence the net gains from operations shown on their annual financial statements, and their tax obligations would be varied accordingly.

'Total Income' All Wrong

So long as a total income type of tax method is based on the annual statement item net gains from operations, Mr. Keesling told the subcommittee, "the entire tax structure will be unfeasible and erroneous."

"Another misconception which should be put straight is the erroneous designation of the so-called Treasury compromise (combined tax method)

(CONTINUED ON PAGE 9)

Ky. Central L.&A. No Longer For Sale

In the wake of the refusal of Dan C. Parrish of Pittsburgh to purchase the stock of Kentucky Central Life & Accident at $127.50 a share, the company officers have sent a letter to stockholders and employes saying that the "definite conclusion" has been reached that the company "will neither entertain nor ask other stockholders to entertain further offers to purchase control of the company. They (the officers) believe that further agitation about the sale of the control of the company would be most hurtful to its business, to its employes and to its stockholders."

It is mentioned in the letter that during the last six months numerous persons have approached the company with proposals to buy 51% or more of the stock. Much time has been spent in analyzing these proposals and discussing them, but the officers and directors have reufsed to do anything toward enabling anyone to purchase only 51% regardless of the price, while in those cases in which the purchaser was ready to purchase all of the stock, "it turned out on the final showdown either that the price offered was inadequate, that the terms of payment were unsatisfactory, or that the would-be purchaser found himself unable to finance his offer except under an arrangement which would have meant the removal of the company from Kentucky, to which we are all violently opposed."

The letter concludes that Kentucky Central L.&A. "has made a great deal of money for its stockholders in the past and is making money for them now, and there is no reason whatever why, with the backing of the stockholders, the company cannot continue to prosper to an extent even greater than in the past."

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Sells 1 Million Shares In 16 Days

Crown National Life, a new corporation in Indianapolis, sold 1 million shares of stock, at $1 each, in 16 days to 400 buyers. There was an oversubscription of $250,000. The firm will offer industrial insurance after the state completes its audit and approval is granted.

Bankers Life Of Iowa Has Field Changes

Several changes in field management, effective Jan. 1, have been made by Bankers Life of Iowa. Two veteran agency managers are relinquishing active management functions in their agencies and are being named agency manager - consultants.


Marvin Selvig

J. M. Keplar, Grand Rapids, Mich., agency manager, has been with Bankers Life since 1920 when he joined the Indianapolis agency. He was named successively supervisor of the Indianapolis agency in 1934 and Grand Rapids agency manager in 1936.


J. E. Whitsell


Pan Vaphiadis

Frank C. Wigginton, Pittsburgh agency manager, joined the company in that position in 1936. Before that he had been in personal selling and agency management with other companies.


R. L. Wamsley


F. M. Baker

Frank M. Baker, Eau Claire, Wis., manager, goes to Pittsburgh to succeed Mr. Wigginton. He joined the company as district supervisor at Mason City, Ia., in 1946 and was named agency supervisor in 1948, being appointed Eau Claire manager in 1950.

Marvin D. Selvig, field supervisor since 1957, has been appointed Grand Rapids manager succeeding Mr. Keplar. With the company since 1955, Mr. Selvig was formerly with Minneapolis-Honeywell and Schumacher Motor Express in Eau Claire.

Richard L. Wamsley becomes Eau Claire manager. He is now agency supervisor at Sioux Falls. He went with Bankers Life in 1953 at Sioux Falls and was named agency supervisor there in 1956.

Pan Vaphiadis, also a field supervisor, goes to Detroit as manager to replace John W. Paige who resigned. He joined Bankers Life in 1951, as a special agent in Houston. A native of Greece, Mr. Vaphiadis attended grade and high schools there and came to the U. S. as a student in 1946. Before entering the insurance business he was in charge of the photography department at Sears Roebuck & Co. in Houston.

John E. Whitsell, Mason City, Ia. agency supervisor, becomes the new Mankato, Minn., manager, replacing C. J. Bogard, who resigned. He went with the company in 1956, becoming Mason City agency supervisor in 1958. He had been agency trainer since 1957. He was a radio announcer and salesman in Iowa and Montana for more than six years before joining Bankers Life.

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New Life Company In Arkansas

First Security Life of Little Rock has been licensed in Arkansas. The new company, with authorized capital of 500,000 shares, no-par value common capital stock, has registered 75,000 shares of common stock to sell to residents of Arkansas only.

Officers are Sam P. Watson, president, Harold R. Cure, executive vice-president and J. Rudolph Bates, secretary-treasurer.

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Join Nw Mutual 25-Year Club

Edmund Fitzgerald, chairman of Northwestern Mutual Life, was among 36 new members inducted into the company's Quarter Century Club at the group's annual meeting. Ari Scherr, mortgage loan department, is honorary president of the club. In addition to Mr. Fitzgerald, five other company officers were inducted into the club. They are: Grant L. Hill, vice-president; Gerald M. Swanstrom, general counsel; William W. Cary, secretary of the board of trustees; Walter H. Meier, assistant director of underwriting training; and William McCarter, associate actuary.

F. V. Keesling Backs 'Surplus Interest' As Sale Tax Basis

(CONTINUED FROM PAGE 6)

as a '50-50' proposition," Mr. Keesling said. "It should be understood for what it actually is, namely, not a '50-50' proposal at all, but actually a '100 plus 50' proposal."

Emphasizing his endorsement of the surplus interest method, Mr. Keesling said:

"The mutual and stock companies should take a united position along these lines in conjunction with the Congress and the Treasury because they all have a common interest."

He stated that the burden of premium taxes imposed upon life insurance by the states must be considered when determining the amount of federal taxes. It is of vital concern, he said, that the amount of federal taxation must not be of a damaging nature when added to state premium taxes, and that the life insurance industry, because of its long-term obligations to the insuring public, must remain healthy and competitive with other savings institutions.

Mr. Keesling stated that study of the tax problem and the circumstances surrounding the current legislative proposals indicates the sincerity of Chairman Wilbur Mills and his colleagues on the House ways and means committee in their desire to tax fairly on an equitable basis. However, in view of the existing confusion and misconceptions which have understandably arisen among members of the Senate and elsewhere outside of the House committee, stemming from the technical nature and terminology of life insurance taxation, the life insurance industry must assume its rightful responsibility for clarifying the situation by authorizing and instructing Life Insurance Assn. of America, American Life Convention, Institute of Life Insurance and other insurance associations to proceed with corrective action through appropriate congressional and public relations activities.

Mr. Keesling further said that if the life insurance industry does what it should, a simple, workable bill providing for a tax of the proper size and a proper method of taxation will result. If it fails to do so, he added, then by default there is grave danger that too burdensome a bill will come out of the House committee and that the Senate will increase that burden.

Time is of the essence, he said, because the committee's staff is presently drafting legislation and the committee will undoubtedly give it consideration immediately after the new Congress convenes.

Institute President Sees '59 As Good Year

(CONTINUED FROM PAGE 2)

ments of about $8 billion representing the end-result of earlier planning.

Increased ownership in 1959 will mean that a record number of premium dollars paid by American families for their insurance protection will be added to the investment capital aiding practically every type of business activity. This will open up new areas of economic development and increase the home ownership by families through mortgages.

In the year ahead, many life insurance companies will extend their long range research and planning programs into operational areas which include agency, general marketing, office procedures and investments. Also, during the year it is evident there will be increased training and planning for management succession.

We can look forward to a furthering of sound public relations concepts established at the top management level of an increasing number of life insurance companies. Relating to every detail of company management, these concepts better prepare the life companies to meet the major social and economic changes that are forecast for the future.

New York Agents To Hear Goldberg Discuss Negative Aspects Of Mutual Funds

Victor R. Goldberg, general agent of Mutual Benefit Life at Hempstead, L. I., has been scheduled to discuss "The Negative Aspects of Mutual Funds" before the educational meeting of New York City Life Underwriters Assn.

Mr. Goldberg's talk will cover acquisition costs and annual charges of mutual funds; life coverage arrangements; the insecurity of such a program and the loss possibility. He will also give the other side of claims made by many mutual fund salesmen and will show what happened when fund shares were purchased at previous bull market peaks. Mr. Goldberg will also point out that the life coverage plan in mutual fund sales guarantees payments due the fund first and protects the beneficiary with what is left over.

Bankers National Boosts Total 1959 Dividends 5%

Bankers National in 1959 will distribute dividends amounting to an increase of some 5% above dividends set aside in 1958. The dividend scale will be revised for 1959 to reflect a redistribution of dividends by age and duration for most participating policies.

Interest on proceeds left under an optional settlement will be 3% if there are no withdrawal privileges or 2.5% if there are withdrawal privileges. The rate on dividends left at interest and on pension trust auxiliary funds will be 3%.

Ketchum To Head Blue Cross-Blue Shield Coordinating Agencies

Jay C. Ketchum, executive vice-president and general manager of Michigan Medical Service (Blue Cross) on March 1 will join Health Service and Medical Indemnity in Chicago as executive vice-president. Health Service and Medical Indemnity are the coordinating agencies for the Blue Cross and Blue Shield plans in the U. S. and Canada.

Mr. Ketchum, a former Michigan deputy commissioner, has managed the Michigan Blue Shield since 1941. Earlier he was a senior vice-president of the D. F. Broderick companies and secretary-treasurer of Great Lakes Casualty of Detroit.

Life Companies Contribute To U. Of Michigan Actuarial Program

The regents of University of Michigan have accepted a total of $6,600 for the actuarial science program, donated by 18 life companies. Donations to the program range from $50 to $2,500.

Nw Mutual Makes Major Policy Changes

(CONTINUED FROM PAGE 2)

to various benefits, raises prepaid insurance limits, places a new minimum on policy size, lowers conversion charges, and features a revised and improved policy form.

Gross premium reductions range from about 15% for term to about 4% for retirement income plans. Ordinary premiums will be about 5½% less, increased protection benefit about 7%, and short term about 6½%.

With the new gross premium rates for women they will pay a lower premium than a man of the same age; however, dividends and cash and other values will be maintained at the same level as those of a man of the same actual age.

The accidental death benefit offers the new policyowner an additional payment exactly equal to the face amount of the policy where death results from "accidental injury"—regarded as more liberal coverage than the usual "death by accidental means." Purchasers who own other Northwestern Mutual permanent insurance may purchase this benefit in amounts larger than the face value of the new series policy:—where five or more annual premiums remain on any older policies, ADB may be purchased in an amount equal to the sum of the new and old insurance, with a top limit of five times the face amount of the new permanent type policy. Coverage is not suspended if insured is in the armed forces during a war. Issued at insurable ages 1 through 60, the ADB coverage is available on all premium-paying insurance plans.

A retirement annuity plan, formerly handled only in the pension trust area, is now available to individual purchasers, without physical examination, in three plans maturing at ages 60, 65, and 70, issued from age 18 to ages 50, 55, and 60, respectively. With satisfactory evidence of insurability, a waiver of premium at 65 may be added.

The new system of life income option payment rates is geared to the estimated mortality and interest rates that will apply at the time of settlement. Rates will depend not only on the beneficiary's age and sex, as in the past, but also on the date of settlement. When settlement is effected less than 22 years after issue of the policy, payment rates will be higher than those provided for in previous life income option contracts; where settlement is affected between 22 and 29 years after issue, the same rates will apply; for settlements 29 or more years after issue, lower rates will apply.

The graduated premium life plan, designed primarily for the "young man on his way up", has a low initial gross premium with annual increases in four steps until it reaches its permanent level with the fifth premium. The ultimate premium is slightly less than that of a corresponding ordinary life policy issued at an age 2 years higher. The plan is permanent insurance providing the same protection as ordinary life, and all provisions of the regular ordinary, including premium loan, are applicable. It is issued at ages 18 to 60; $5,000 minimum face amount.

Benefits More Flexible

There is also a convertible protection benefit—ordinary life or 65 life, with 10 year level term added; and a disability waiver at 65—a policy provision offered by the company for the first time and extended to all policies in the company, which provides that if premiums have been waived because of total and continuous disability for five years, an insured age 65 needs no further proof of continuance of disability. His premiums may be waived even though he recovers.

Until 1947, policies provided that premiums would be collected and dividends paid on a policy through the year of a policyowner's death. Later policies provided that premiums would be collected and dividends paid only through the policy month of death. This liberalization is now made applicable to policies of any age.

Northwestern Mutual is also adopting a new higher insurance limit on Jan. 1 and will, for the first time, reinsure standard lives. While reinsurance will be obtained, the company stated there would be no relaxing in its underwriting and the amount applied for must be justified by the merits of the case. Reinsurance will be handled on an experience rating basis.

OK B.M.A Stock Split Of 2½ For 1

Stockholders of Business Men's Assurance have approved a stock split of 2½ for 1, increasing the number of outstanding shares of capital stock from 800,000 to 2 million, and reducing the par value from $10 to $4.

In announcing the stock split, J. C. Higdon, president, said that 1½ shares of additional stock for each present share will be issued Jan. 7 to owners of record at the close of business Jan. 5. He said that scrip certificates will be available for fractional shares. Under a buy-or-sell arrangement shareholders will have until Feb. 4 to purchase or sell scrip certificates representing additional fractions to round out their holdings, after which time, outstanding scrip certificates will be redeemed in cash.

If the annual report is as favorable as is now anticipated, management will recommend a semi-annual dividend of 15 cents a share be declared. The proposed new dividend rate after the stock split is equivalent to a 25% increase over the 1958 dividend rate, Mr. Higdon said.

On the 800,000 shares outstanding prior to the split, the annual cash dividend was $480,000 .The proposed annual cash dividend will amount to $600,000.

Merger Due For American Investors Corp. And American Investors Life

The directors of American Investors Corp. and American Investors Life have approved an agreement to merge the two companies. Despite the similarity of company names, there has heretofore been no connection between the two firms.

This is the third such transaction within the past few weeks between American Investors Corp. and life companies. Two weeks ago American Investors Corp. reached agreements with Florida Sun Life and American Life savings for their acquisition on an exchange of shares basis.

American Investors Corp. is exchanging shares with Florida Sun Life on a basis of two American Investors Corp. shares for three Florida Sun Life and with American Life Savings on a one for one basis. The transaction with American Investors Life will also be on a one for one basis.

All three transactions are pending approval by commissioners of Florida, Tennessee and Texas, and by the shareholders of the three life companies involved.

SEC Variable Annuity Regulation To Be Argued Before U.S. Supreme Court

WASHINGTON—Two cases involving the status of variable annuity regulation by Securities & Exchange Commission have been set for argument before the U. S. Supreme Court during the week of Jan. 12. One hour on each side has been allotted for arguments on the cases of National Assn. of Securities Dealers vs Variable Annuity Life and Equity Annuity Life and SEC vs Variable Annuity Life.

NASD is appealing the decision from the U. S. circuit court of appeals which sustained the district court's decision against SEC's attempt to require Variable Annuity Life to register its policies as securites.

Hails Borrow-To-Buy Plan As Giant Step

(CONTINUED FROM PAGE 1)

inflation. The sooner the life insurance industry recognizes this fact, the sooner we can get on to the next piece of business—for financed insurance is here to stay, and make no mistake about it!

Likens Public To Lola

"To paraphrase the 'Damn Yankees' hit tune, 'whatever John Public wants, John Public gets.' The public wants financed life insurance and the verdict of John Public is the final one. The use of financed life insurance will ebb and flow with the economy of the times, but its permanence as an underwriting procedure has been established.

"Financed insurance is not being bought by a bunch of village idiots. Usually it has the carefully considered approval of the buyer's accountant and/or lawyer. Where financed insurance is used for business purposes, it furnishes high indemnity for the indicated needs and keeps the cash values free for corporate uses.

"When purchased for personal requirements, it provides high indemnity during the years of acute dependency when the children are growing up, permits investment of funds in equities so the policyholder will have a stake in the growth of American industry, and when the family obligations are diminished, he can seek old age income from sound investments rather than by sacrificing his life insurance to live on its cash values."

Critics Hit Three Aspects

Mr. Bender said the critics of financed life insurance concentrate their attack on three aspects: first, the alleged abuses in selling the plan, whether accompanied by twisting or not; second, use of the plan as a way of reducing taxes, third, discrimination against a company's other policyholders by giving the buyers of high early cash value contracts more for their premium dollars than is given the general run of policyholders.

"The first problem," said Mr. Bender, "can be controlled by the measures advocated by Merril P. Arden, agent of Connecticut Mutual in New York City and president of the Assn. of Advanced Life Underwriters. These were quoted at some length in THE NATIONAL UNDERWRITER for Nov. 29, 1958. Essentially, they involve complete disclosure to the prospect of what may be expected if he buys the proposed insurance and, in case of replacement, what would happen if he were to keep the old insurance. Also recommended is notification of the affected companies in cases of replacement. The companies already have ample powers to control their producers where they have reason to suspect malpractice."

As to the tax-avoidance criticism, Mr. Bender said, "Bunk! Unadulterated bunk! The critic who howls the loudest about sales being made mainly on the tax-shelter appeal is mentally myopic. If either he or his company does not take full advantage of the tax deductions permitted him or his company by the Treasury in making out their income tax returns, then he is indeed a fool."

Complaints that high early cash value policies involve discrimination in favor of their buyers and against a company's other policyholders can be effectively met without impairing the policy's basic appeal, Mr. Bender contends. Nevertheless, he conceded that this criticism of high early cash value policies merits careful consideration, because high first-year commissions, plus high early cash values, plus agency costs, plus home office costs plus mortality charges, etc., can readily exceed the first-year premium.

Remedies Would Be Drastic

"It doesn't take a smart man to admit that this is not actuarially sound," he observed. "The remedies would be pretty drastic. First, the fifth dividend option providing one-year term coverage should be extended across the board to all policies. The companies should realistically raise the early cash values on all plans, so that John Public doesn't feel as though he has been swindled when he finds it impossible to continue payments on his policies, particularly in the early years.

"Obviously, this would call for a sharp cut in first-year commissions. It would also call for a cut in the other field acquisition costs. Instead of having what the mutual fund folks call a high 'front-end load,' we would spread the total acquisition cost (including commissions) more evenly over the first 10 years than is generally done now.

No 'Traitor To The Cause'

"Lest my fellow field men consider me a traitor to the cause because of these suggestions, let me quickly point out that contracts containing high early cash values plus the fifth dividend option would make our product so much more attractive that the pick-up in volume and individual sales would more than offset the loss of first-year income, and the greater renewals would stabilize the career agent's income.

"Finally, let me say that I firmly believe that the concept of financed life insurance is too big and too important to too many people for us to abandon because of complaints directed at curable faults but not at the basic concept itself."

American Mutual GAs Meet

General agents of American Mutual Life at a three-day meeting at the home office were praised by Vice-president Harry S. McConachie for their efforts in attaining record-breaking production in 1958. A program of increased field supervision and assistance and a number of new sales aides were presented and quantity discount along with lower rates for women and decreased double indemnity rates were introduced.

John Hancock Dividend Payments For 1959 Boosted More Than 10%

John Hancock has apportioned some \$86 million for dividend payments to policyholders in 1959, an increase of more than 10% over the 1958 figure. The action will result in an improved dividend scale on all existing classes of premium-paying and paid-up ordinary policies. Generally, the total rate of interest allowed on various funds held by John Hancock will be increased to 3¼%.

For both ordinary and industrial policies 1958 settlement dividend scales will be continued in 1959, and in addition such dividends will be allowed for the first time on terminations by death. The dividend scale has also been improved for both premium-paying and paid-up retirement annuity contracts issued on or after Jan. 1, 1939. The 1958 scale of dividends on contracts issued prior to Jan. 1, 1939 will be continued in 1959.

Editorial Comment

Financed Insurance: Name And Concept

The borrow-to-buy plan of selling life insurance is treated from diametrically opposing viewpoints in this issue. William H. Bender Jr., general agent at New York for National Life of Vermont, in an interview, vigorously defends the basic principle of financed life insurance, variously called the bank-loan plan or minimum deposit. His thesis is that the barrage of criticism leveled at various aspects of the plan should not be permitted to obscure what he regards as the very great usefulness of financed life insurance in those situations where it is appropriate.

Opposing financed life insurance, not merely on the aspects cited by Mr. Bender as the targets of critics, but on the basic idea, is a statement by James T. Phillips, senior vice-president and chief actuary of New York Life. It was sent to the company's field officers, agency managers and office managers by Executive Vice-president Dudley Dowell.

Both Mr. Bender and Mr. Phillips are worthy champions of their respective causes. Mr. Bender represents a company that sells a large volume of the high early cash value policies on which the financed life insurance technique is based. He would be the last to condone the abuses that have been criticized in connection with the sale of many minimum deposit plans. He wants these and any other abuses curbed, so that the principle of financed life insurance may find its maximum usefulness in serving the public and hence in benefiting the life insurance field forces and home offices.

Mr. Phillips is one of the top ranking actuaries of the business. As might be expected, his statement was issued only after the most careful deliberation and research. He believes that "minimum deposit arrangements contain many ingredients which could ultimately lead to bad public relations on a large scale." A reading of his statement shows that these ingredients are not confined to abuses that might be regarded as curable. Some of the ingredients he objects to are part of the basic structure of the plan.

We believe a reading of the Bender interview and the Phillips statement will be helpful to all life insurance people who are interested in the minimum deposit situation—and the way the plan is spreading, a lot of people are going to be coping with one aspect or another of it.

It may be confusing to read two such able expositions that are so implacably opposed in viewpoint. We felt a little like the newly appointed backwoods judge who was so impressed by the argument of the plaintiff's lawyer that he announced the plaintiff had won. He refused to listen to the defendant's attorney, declaring that he could not possibly have a winning case and it would be just a waste of time to hear him.

However, the defense lawyer persuaded the judge that legal formalities required him to listen. The lawyer put on such a brilliant performance that the judge was left open mouthed. In amazement he declared, "Doggone! Now de *defendant* done won!"

Yet even though it may seem impossible to decide who is right and who is wrong in this far-reaching hassle over the minimum deposit plan, it is vitally important that the right answers be found. As Mr. Bender points out, the public has a way of getting what it wants. Yet we have the public relations problem mentioned by Mr. Phillips if the public is permitted or induced to want something without being fully informed about what it is really buying.

It seems likely that as a result of the current furor over minimum deposit plans, safeguards will be worked out and enforced to make sure that buyers of financed life insurance will know what they are letting themselves in for, particularly when the surrender of existing insurance is being proposed. This is vitally important, for unless it is to be the position of state legislatures and insurance departments that the financed plan of buying is O.K. for everything but life insurance, the buyer must be given all the information necessary for the "calculated risk" he is undertaking in making his decision whether to finance or not.

We believe, incidentally, that the term "financed life insurance" is the most descriptive and accurate for this form of transaction. "Bank-loan" is already outdated because bank loans are rarely used any more. "Minimum deposit" is overly technical in sound. Moreover, a premium payment is not a "deposit" and some state laws prohibit calling it that, while in many plans the "deposit" is not "minimum," but larger by varying amounts.—R.B.M.

Personals

R. Howard Dobbs Jr., president of Life of Georgia, has been elected vice-president of Metropolitan Atlanta Community Services in charge of chest fund raising activities. Mr. Dobbs was co-chairman of the fund campaign last fall.

Deaths

RUSSELL W. HARRISON, 65, former manager at Portland, Ore., for Prudential, died there of a heart attack. He retired last year after 30 years with the company.

LARENZA C. COLE, 76, general agent of United Life & Accident, died at his home in Columbia, S. C.

Stocks

By H. W. Cornelius, Bacon, Whipple & Co.
135 S. LaSalle St., Chicago, December 30, 1958

	Bid	Asked
Aetna Life	236	240
Beneficial Standard	15½	16½
Business Men's Assurance	101	105
Cal.-Western States	110	115
Columbian National	124	128
Commonwealth Life	27	28
Connecticut General	360	365
Continental Assurance	168	172
Franklin Life	82	84
Great Southern Life	84	87
Gulf Life	24	25
Jefferson Standard	88	90
Kansas City Life	1575	1600
Liberty National Life	48½	51
Life & Casualty	21	22
Life of Virginia	53	55
Lincoln National Life	245	250
National L.&A.	120	123
North American, Ill.	20	21½
Nw. National Life	93	Bid
Ohio State Life	275	300
Old Line Life	58	Bid
Old Republic Life	23	24
Republic National Life	61	63
Travelers	94½	96
United, Ill.	49	51
U.S. Life	45	47
Washington National	58	62
Wisconsin National Life	70	72

Recommendations For A&H Man Of Year Are Sought

February marks the opening efforts of the Harold R. Gordon memorial award committee to seek recommendations from the A&S business for its 11th annual man of the year award.

The award, presented jointly by International Assn. of A&H Underwriters and Chicago A&H Assn. each year at the international convention, is a memorial to the late Harold R. Gordon of Chicago. This year's recipient will be feted at the French Lick, Ind., meeting June 14-17.

The award committee, meeting in Chicago recently, has announced a change in selecting the "A&H Man of the Year." Previously nomination ballots had been accepted by the committee. In 1959, individuals in the A&S industry and related fields will be asked to help the committee with its selection by making a recommendation supported by substantial reasons. The committee wants to uncover worthy candidates whose accomplishments may not have been too widely publicized because of the growing complexity and size of the A&S business.

Recommendation blanks will be sent to member associations, companies affiliated with Health Insurance Assn., sister trade associations and insurance commissioners.

March 31 is the deadline for the return of the recommendations.

The Chicago A&H Assn. established the award in 1948. Mr. Gordon was one of the founders of the Chicago association, as managing director of H&A Underwriters Conference and was active in all phases of the A&S field.

Known as the "Oscar" of the A&S business, the award is presented annually to the man whose contributions to the A&S industry indicate he has given of time, talent and outstanding service.

Past recipients include: Edward H. O'Connor, Insurance Economics Society; V. J. Skutt, Mutual Benefit H&A; William E. Lebby, Massachusetts Indemnity & Life; the late Bert Hedges, Business Men's Assurance; E. H. Mueller, Milwaukee agent; John Galloway, Provident Life & Accident; Edwin J. Faulkner, Woodmen Accident & Life;

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The National Weekly Newspaper of Life Insurance

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DALLAS 1, TEXAS—309 Employers Insurance Bldg., Tel. Riverside 7-1127. Alfred E. Cadis, Southwestern Manager.

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DES MOINES 9, IOWA—327 Insurance Exchange Bldg., Tel. Atlantic 2-5966. D. J. Stevenson, Resident Manager.

DETROIT 26, MICH.—613 Lafayette Bldg., Tel. Woodward 5-2305. William J. Gessing, Manager for Indiana and Michigan.

INDIANAPOLIS 20, IND.—5634 N. Rural St., Tel. Clifford 3-2276. William J. Gessing, Manager for Indiana and Michigan.

MINNEAPOLIS 2, MINN.—1038 Northwestern Bank Bldg., Tel. Federal 2-5417. Howard J. Meyer, Northwestern Manager.

NEW YORK 38, N. Y.—17 John St., Room 1401, Tel. Beekman 3-3958. J. T. Curtin and Clarence W. Hammel, New York Managers.

NEWARK 2, N. J.—10 Commerce Ct., Tel. Market 3-7019. John F. McCormick, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad St., Room 1027, Tel. Pennypacker 5-3706. Robert I. Zoll, Middle Atlantic Manager.

ST. LOUIS 2, MO.—221 Pierce Bldg., Tel. Chestnut 1-1634. Geo. E. Wohlgemuth, Resident Manager.

SAN FRANCISCO 4, CAL.—582 Market St., Tel. Exbrook 2-3054. Robert L. McMullen, Pacific Coast Manager.

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cident; Leonard A. McKinnon, McKinnon & Mooney; Carl Ernst, North American Life & Casualty, and Travis T. Wallace, Great American Reserve.

The award is a distinctive "gavel-plaque" and the name of the winner remains a secret until the announcement and presentation at the annual convention.

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Family Ownership Of Life Coverage Reaches $493 Billion In 1958

(CONTINUED FROM PAGE 2)

$11.5 billion for the year, were about $2.8 billion less than purchases in 1957 but more than 20 times the amount bought in 1938. Total group protection reached $145 billion at year-end, an 8% rise over last year's aggregate.

Industrial life purchases amounted to $6.5 billion, down nearly $300 million from 1957, but almost twice the aggregate of 20 years ago. Industrial life accounted for a total of $40 billion of family protection at the close of 1958.

Payments to life insurance policyholders and their beneficiaries were an estimated $7,275,000,000 during the year. This all-time high was about $645 million more than the year before and about three times the payments 20 years ago.

A Record In Living Benefits

Living benefits paid to policyholders themselves in 1958 were estimated to be a record $4,325,000,000 or some 60% of total payments. These benefits were $375 million more than the year before and nearly three times the living benefits paid 20 years ago. Included as living benefits were matured endowments, annuity payments, surrender values and disability payments as well as approximately $1,425,000,000 in policy dividends. Nearly $2,950,000,000 in death benefits were paid to American families in 1958, the highest amount for any one year and more than three times the payments 20 years ago.

To guarantee future benefits to policyholders, the more than 1,300 U.S. life companies held a total of $107.2 billion in assets at year-end, up $5.9 billion from the close of 1957. This aggregate was about four times the assets of the life companies 20 years ago.

New Capital At Work

During the year, about $5.9 billion of new capital was put to work through investments to help promote economic expansion and the creation of employment and business opportunities for a growing nation, according to the institute.

At the end of 1958, corporate securities accounted for $46,975,000,000 of life insurance investments, up more than $2,915,000,000 in the year. These investments in the securities of business and industry represented about 44% of total assets as compared with 28% in 1938. Industrial and miscellaneous bonds accounted for the largest block of corporate securities, $23,175,000,000 at the close of the year.

Holdings of U.S. government securities at the end of 1958 were $6.9 billion down $125 million in the year.

The nation's policyholders paid approximately $12,250,000,000, or 3.8% of their disposable personal income for their life insurance and annuities in 1958. These premiums were about $500 million more than the year before and approximately three times the 1938 total.

SEC Moves To Halt Stock Sale Of Life Securities Corp.

Securities & Exchange Commission has ordered proceedings to determine whether to revoke the registration of First Maine Corp. of Portland as a broker and dealer in securities and has accused the corporation of violation of the securities law.

The SEC order said the commission had information indicating that First Maine offered stock in Life Insurance Securities Corp., also of Portland, before the registration and full-disclosure requirements covering the issue had been met. The order also said that the First Maine had circulated false and misleading statements concerning Life Securities and engaged in practices "which would operate as a fraud and deceit upon purchasers" of the stock.

Hearing Scheduled

The commission said it intends to schedule a hearing on the case later.

Burton M. Cross, former governor of Maine, was listed by SEC as president, treasurer and director of First Maine. Mr. Cross said that First Maine had no intention of violating the securities act and that the corporation felt it had "acted in good faith at all times as not a single share of stock has been sold to the general public while the registration was in progress.

The SEC order said it appeared that First Maine offered the stock for sale on Feb. 9, but the registration statement of Life Securities was not filed until March 28. The statement covered a proposed public offering of 1 million shares of capital stock at $5 a share. The statement has not become effective, SEC said, but First Maine still distributed circulars which amount to stock prospectuses.

Mr. Cross said that distribution of circulars was largely confined to brokers, dealers or associate underwriters.

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Federated Mutual F.&C. Forms Life Affiliate

A new company, Federated Life, has been formed by Federated Mutual Fire & Casualty of Owatonna. The new company will be owned outright by Federated Mutual F.&C.

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Zeigen Heads CLU Seminar

Samuel L. Zeigen, general agent of Provident Mutual, conducted a business insurance seminar of the Philadelphia chapter of American Society of CLU which was attended by some 250 agents from Pennsylvania, New Jersey and Delaware. Frederick J. Kiefner, chapter president and assistant manager of agencies of Provident Mutual, was chairman.

Mr. Zeigen said that his selling method involved low pressure techniques and consisted of asking questions designed to make the prospect realize that he has business problems which vitally affect his estate plans but which can be solved with the proper use of life coverage.

Mr. Zeigen, who is an attorney himself, urged agents to explain their suggestions to clients' lawyers and accountants so that they, in turn, will understand what is being proposed and the benefits which will result. He said that A&S coverage should be a part of any written agreement and is a necessary part of key man coverage.

Teachers Hear Major Issues Discussed

(CONTINUED FROM PAGE 1)

Department of Justice, defended the federal government's investigation into insurance regulation, and Joseph S. Gerber, Illinois director of insurance, took the states' part.

Mr. Hansen said that insurance is receiving such great attention because of its importance to the nation. Safeguards must be taken in the public's interest. The anti-trust department has no inclination or desire to encroach upon those rights which properly belong to the states; it simply wishes to protect the entire industry. Nevertheless, state regulation must be constitutionally legal, Mr. Hansen warned.

Mergers Being Watched

The current merger activity is receiving a good deal of attention from federal regulatory bodies because a serious threat is posed if many small companies are bought up and competition is thus stifled, the speaker said. The central concern is with the nature of the merger or acquisition, and whether the state involved has enacted the necessary insurance laws. Only mergers and acquisitions in states not having such laws are subject to review. However, only a minority of states have enacted these laws, Mr. Hansen noted.

After commenting that the post of commissioner is not always a happy one (which elicited a knowing chuckle from his audience), Mr. Gerber suggested there were several ways in which this could be improved. Among the suggestions were that the insurance departments must be fully staffed; sufficient funds must be available, and the public must take more interest in what is happening in insurance. As to the "high mortality rate" among commissioners, Mr. Gerber wryly noted that a high mortality rate also exists among congressmen —who must run every two years.

States Performing Adequately

Placing himself firmly on the side of state regulation, Mr. Gerber said that by and large it is performing adequately. But where it is not, the state itself should take necessary steps to right the situation. Dual regulation is unnecessary and unworkable. The "local point of view" is extremely important, the director said.

There is a fallacy in existence that the federal government can somehow always do it better, the speaker noted. This is in error. The federal government is as susceptible to quirks in its makeup as are the states. Both face similar problems. It is important to realize, Mr. Gerber stated, that state preservation can only be saved by the states themselves. The battle will not be won in Washington; only within the states.

Elizur Wright Winner

As no award was designated last year, the 1958 winner of the Elizur Wright award was naturally accorded a fair share of attention. He is D. C. Brownson, and his book is entitled "Concept of Actuarial Soundness in Pension Plans."

The first day's activities were almost solely concerned with the place and nature of the insurance curriculum in the education system. Most speakers agreed that the curriculum was due for a shakeup; all felt that it must assume a more dignified status within the business administration department.

Various studies are being made of schools of business and the consequent reports will be extremely critical, Arthur M. Weimer, Indiana University, remarked. It is hoped these reports will not be taken the wrong way; especially since the school of business is already viewed with suspicion by older segments of the academy, Prof. Weimer stated. It has only

been in recent years that "grudging acceptance" has been received, he said.

Mr. Weimer said that the best way for students to study the business is through the eyes of the manager. Insurance must not be seen as a specialized subject. It is definitely a general subject with wide ramifications in the business world, and this is how it must be taught.

"Risk as a Special Subject of Study," was the title of a paper by Ralph H. Blanchard, Columbia (retired), delivered by Mr. Hedges. The paper primarily dealt with the problem of overcoming a "general illiteracy in business" regarding risk and insurance. Inroads have been made, Prof. Blanchard stated. He quoted various business executives who, he said, realize that insurance is a specialized field far beyond routine purchase of policies. Most forward-looking businesses have an insurance manager who has been specifically trained for the job.

During the 1956-57 academic year, 493 colleges and universities offered "insurance" courses, but 398 of these were general or survey courses, Prof. Blanchard noted. The intricate and independent disciplines which have been developed in an effort to understand the question of risk demand its treatment as a speciality, he concluded.

Discussants Have Their Say

Following the delivery of this paper, two discussants, Joseph F. Trosper, Southern Methodist University, and Irving Pfeffer, UCLA, seconded its general content.

Prof. Pfeffer said that the running of a medium-large insurance company is occasionally taught, and "this is certainly the easier part of the curriculum." Seminars in risk management lack cases and are accordingly descriptive and thin in intellectual content, he said.

The sole test of fitness for insurance courses should be the degree to which they exercise the intellectual muscles of the student, plus the social or cultural significance of the field of study as measured by academic faculties, Mr. Pfeffer stated. There is also the problem of whether risk management can be taught at all without drifting into narrow vocationalism, he said.

Sponsored by Chicago life companies, the first day's luncheon was considerably enlivened by its speaker, F. J. McDiarmid, investment vice-president Lincoln National Life. Noting that his remarks were culled from a paper entitled "Inflation and Life Insurance" he had delivered at the recent Cincinnati meeting of Society of Actuaries, Mr. McDiarmid said that paper had established him as the Boris Pasternak of the actuarial profession. (Mr. McDiarmid's speech was fully reported in the Oct. 18 issue of THE NATIONAL UNDERWRITER.)

With regard to the present status of insurance instruction, Harry J. Loman, University of Pennsylvania, stated that despite an optimistic body of figures, all definitely is not bright. Percentage figures indicating huge increases in institutions offering insurance courses are not so impressive when one realizes that much of the increase was not self-generated, he said. The insurance industry and various educational programs have been the impetus. Further, very few departments of insurance have been set up, and the subject is still classed as "fringe."

Problems Of The Professor

Although one problem of the professor is deans who are not impressed by the importance of insurance, other factors contribute to the instructor's unimpressive status, Prof. Loman said. Two of these are: Courses which are overly technical, burdened with irrelevancies, and industry-oriented; and a limited supply of qualified instructors.

The current curriculum ferment will mean many changes, Mr. Loman stated, and insurance instructors must be ready for the challenge. They must be prepared to defend their subject or see it permanently relegated to a "minor league" status.

Agreeing with Mr. Pfeffer that all courses should be carefully checked as to their permanent value, Mr. Loman said they also should comply with the current demand for interrelationship of all subjects. He further suggested that a less mechanistic, more philosophic, conceptual and comprehensive definition of insurance was very much in order.

Mr. Loman's paper was then discussed by a panel consisting of William M. Howard, University of Florida; W. O. Bryson Jr., Morgan State College, and Robert M. Stevenson, Texas A&M.

Separate Department Unnecessary

Prof. Howard felt that any changes in the curriculum, if they come at all, will come slowly. He said he saw no particular need for a separate insurance department, and he certainly has no objection to having insurance a part of the business department. The type of course most needed is that which will be of some benefit to people not necessarily going into insurance as a career, he said.

Prof. Byrson was more in agreement with Mr. Loman, but stated that many technical aspects of the courses must be deleted depending upon the needs of individual students.

Prof. Stevenson chose to attack the subject from another angle. Ask industry what type of curriculum it wants, he suggested. Questionnaires could be sent to the industry in an effort to ascertain exactly what current needs are. There is unlikely to be much, or any, agreement, however. He said he has had occasion to talk to men from the industry as to requirements. Some demand a record of multitudinous insurance courses; others prefer to take the man and train him themselves. The important thing is to talk to placement officers rather than with "the top brass," Mr. Stevenson suggested.

Monday morning's session featured an extensive, general review of the taxation of insurance—on both state and federal levels. Frank J. Schwentker, University of North Carolina, was chairman, and participants were John W. Cowee, University of California; Robert L. Hogg, 1st vice-president Equitable Society, and George D. Haskell, director of education American Mutual Insurance Alliance.

It was the good luck of the teachers that they had a resourceful, stimulating speaker at both of their luncheons. Following the LaSalle Hotel's usual feast, James C. O'Conner, executive editor of the F.C.&S. Bulletins, spoke at Monday's luncheon.

The many changes now occuring in the industry are primarily significant in that they presage others, Mr. O'Connor stated. One change begets another. The new homeowners will have a competitive rate, but the commission question has yet to be answered.

The future will probably find direct writers and agency companies adopting each other's good points, Mr. O'Connor suggested. As the process of assimiliation goes into effect, the sharp differences now existing will be considerably modified.

Evidence of continuing and extensive research in the field was indicated by a series of research reports given under the decidedly firm chairmanship of Richard M. Heins, University of Wisconsin. These reports were: "Unattended Problems in the Making and Regulation of Fire Rate," Harry J. Solberg, University of California; "The Optimum Growth Rate for a Multiple Line Carrier," Mr. Pfeffer; "Workmen's Compensation and the Handicapped," C. Arthur Williams, University of Minnesota; "Automobile Insurance Cost Problems —A New Jersey Case Study," Philip Elkin, Temple; "Unemployment Compensation Benefit Problems," Theodore Bakerman, Duquesne; "Experience Rating in Unemployment Insurance," John Adams, Temple; "Over-Utilization and Health Insurance," O. D. Dickerson, Florida State; "Health Insurance for Retired Persons," Frank G. Dickinson, American Medical Assn., and "A Comparison of Mortality Rates of Insured and Non-Insured Lives," David B. Houston, UCLA.

Sunday night's fine banquet was sponsored by Western Underwriters Assn.

Home Office Changes

Franklin Life

James R. Maloy

James R. Maloy has been elected vice-president in charge of agency development. He has been in the life insurance business since 1948, going with Franklin in Montgomery, Ala., in 1952 and in 1955 was named assistant regional manager of the southeastern division. He was appointed to the home office agency department in 1957 as director of field training, and in 1958 was promoted to director of sales.

Life Of Virginia

J. Cowin Smith, vice-president, has been elected secretary to succeed Charles T. Rogerson who recently died. Mr. Smith joined Life of Virginia in 1920 and was appointed superintendent of the policy department in 1927. He became assistant vice-president of the agency division in 1943, vice-president in 1948 and five years later assumed charge of the personnel department.

Massachusetts Mutual

Raymond G. Pearson, former actuarial assistant in the group department, has been named assistant group actuary. He joined the company in 1953 and before that was with Northern Life of Canada.

Employers Life

George W. Duffy has been appointed agency department supervisor. He entered the life business in 1952 with New England Mutual and was later appointed district manager of Massachusetts Mutual.

Pan American Life

Dr. Jack R. Diamond has been appointed medical director to succeed Dr. Reynold C. Voss, who retired Dec. 31 as vice-president and medical director.

Great-West Life

R. K. Siddall, formerly a secretarial assistant, has been named an assistant secretary; J. W. Burns, formerly supervisor field training, has been named manager field training; W. H. Wilson, formerly supervisor of sales promotion, has been appointed manager sales promotion; W. J. Hudson, formerly supervisor group administration, has been named manager group underwriting, and N. R. Wood has been appointed assistant manager of the Toronto mortgage investment office.

Mr. Siddall joined Great-West Life in 1954 and was named secretarial assistant the following year.

Mr. Burns joined the company's agency division in 1953. He subsequently served in the Chicago agency, and became supervisor field training in 1958.

Mr. Wilson became supervisor at Portland in 1956 and went to the head office as supervisor sales promotion in 1958.

Mr. Hudson joined the company in 1950. He was appointed supervisor group administration in 1956.

Mr. Wood joined the Toronto mortgage investment office in 1955.

NORTH AMERICAN LIFE OF TORONTO has appointed J. T. Glenn assistant treasurer, E. T. Hill assistant actuary, L. M. Begley branch administrative officer and J. D. Kirkendale claims officer.

J. Gordon Beatty, vice-president and actuary of **CANADA LIFE,** has been named a director, while at the same time relinquishing his post as actuary, but continuing as vice-president. D. M. Ellis and J. R. Gray, associate actuaries, have been appointed actuaries, and F. E. Rooke, J. B. Walker and W. B. Waugh, assistant actuaries, become associate actuaries.

NATIONAL OLD LINE has promoted Russell L. King to vice-president and actuary, Carl S. Pulley to vice-president and agency director and Lloyd D. McCain to assistant counsel.

Robert C. Avrett Jr., president of **LIBERTY L.&C.,** has resigned and O. H. Scheuerman, executive vice-president, will fill out the unexpired term.

OLD EQUITY LIFE has appointed Harry K. Newberger and Herbert F. Higgs regional sales directors.

Nw Mutual Schedules Eastern Agents' Meeting

The annual eastern regional meeting of Northwestern Mutual Life is scheduled for Jan. 5-6 at New York. About 500 agents are expected to to attend. Chairman Edmund Fitzgerald, President Donald C. Slichter and other company officers will participate in the two-day meeting. W. Bradford Cushman, Portland, Me., is general chairman of the meeting.

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John O. Todd, Northwestern Mutual Life, Chicago, will address Los Angeles Life Underwriters Assn. at a breakfast meeting, Jan. 7, at the Ambassador Hotel.

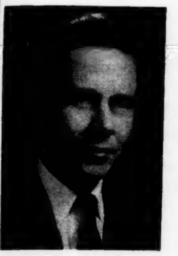
Changes In The Field

Phoenix Mutual Life


Pat J. Crandall

Phoenix Mutual has named Pat J. Crandall manager of the Atwel agency at New York. Vincent B. Tibbals manager at Rochester, and S. David Spencer manager at Fort Wayne. Russell W. Besser has been appointed consulting manager of the Atwel agency, and Harold W. Banbury consulting manager at Rochester.

Mr. Crandall, formerly associate manager, Atwel agency, succeeds Mr. Besser. Mr. Tibbals, manager at Fort Wayne, succeeds Mr. Banbury and Mr. Spencer was previously field supervisor at Buffalo.


Vincent B. Tibbals


S. David Spencer

Life Of North America


John E. Sonin

John E. Sonin has joined Life of North America as field manager in central Illinois with headquarters at Bloomington. Mr. Sonin has been in the A&S business with Fireman's Fund in the western department and with Central Standard Life as director of agencies. More recently he has been in the production side for life and A&S. He is a past president of Chicago chapter and is the current president of Illinois A&H Assn.

National Union Life

Lloyd Hammargren has been appointed general agent at Duluth by the company and Arden J. Hyldahl agent at Hinckley, Minn., of the Hammargren agency.

Equitable Society

William J. Dunsmore, manager at New York for 33 years, has retired but will continue in personal production. He is succeeded at New York by Thomas P. Brady, and by David D. Kuehn at a new White Plains agency, which includes a unit of the former Dunsmore organization.

Mr. Dunsmore, who is a CLU, joined Equitable in 1923, became assistant manager in 1924 and manager in 1925. He has been a director of New York Life Underwriters Assn. and president of New York Managers Assn.

Mr. Brady has been with Equitable at Chicago since 1951 and was promoted to unit manager in 1952. He is a CLU. Mr. Kuehn joined Equitable at Newark in 1946 and was named unit manager in 1948. He is a former president of Plainsfield Life Underwriters Assn.

Equitable Of Iowa


James Buckner Jr.

The company has opened an agency at Springfield, Mo., and has appointed James Buckner Jr. general agent there. Mr. Buckner joined the company in 1956 and has been agency supervisor at Springfield under the Hedges agency of Kansas City.

Union Trust Life

Alfred and Jeane Lehrfeld have been appointed general agents at Palm Springs, Cal. Alfred Lehrfeld has been a life agent since 1928, and in 1952 opened a general agency in Palm Springs. While assisting her husband in his work, Jeane Lehrfeld became interested and started taking an active part in the business. In 1958 she was rated first in the nation among the women insurance agents for Manhattan Life, with which the Lehrfelds were formerly associated, and second in general sales for the company's group life insurance.

Massachusetts Mutual

Kenneth M. Rose has been named supervisor at Louisville. He has been in the life field since 1953 and recently became a 1959 member of the Million Dollar Round Table.

Manhattan Life


Orlando A. Corini

Orlando A. Corini has been named general agent at New Rochelle, N. Y. He entered the life business in 1945 with Metropolitan Life and recently was named manager at Hawthorne, N. J.

Business Men's Assurance

Clair B. Johnson, district manager at Boise, Ida., has been appointed branch manager there, and Jerry L. Robertson manager of the newly established Tulsa branch. Mr. Johnson has been with B.M.A. since 1947 and Mr. Robertson since 1953.

Southern Heritage Life

James J. Pearson has been named regional director at Mobile, and appointed regional managers are Valentino V. Lovisa, New Orleans, Frank D. Edmondson, Shelby, N. C. and R. L. Gamble, Anderson, S.C. Also appointed are James L. LaFarge and Robert E. Wilkes as regional co-managers at Columbia, S. C. Mr. Pearson has been with Jefferson Standard Life, Atlantic Coastal Life and with Life of South Carolina as manager at Greenville. Mr. Lovisa has been a supervisor of Lincoln National and Mr. Edmondson has been manager of Home Beneficial Life. Mr. Gamble has been with Capital Life and United of Chicago. Messrs. LaFarge and Wilkes have both been with Prudential and Life of South Carolina.

Indianapolis Life

Talmadge D. Briggs

Talmadge D. Briggs has been appointed general agent at Lubbock, Tex., by Indianapolis Life. He is an experienced agent and is a graduate of LUTC.

Prudential

Frank M. Akers Jr., former manager of the Atlanta ordinary agency, assumes new duties in a statewide consultant capacity; William P. Squire Jr., training consultant of the southern region, becomes manager of the newly opened Peachtree agency at Atlanta, and E. William Nash Jr., also a training consultant in the southern region, succeeds Mr. Akers at the Atlanta ordinary agency.

Mr. Akers joined Prudential in 1923 and has been manager at Atlanta since 1935. He has been president of Atlanta Managers Club, Life Insurance & Trust Council and Atlanta chapter of CLU. Mr. Squire began his career with Prudential at Dover, N. J., in 1953, later becoming associate manager at Paterson. Mr. Nash joined the Atlanta agency in 1951 and was promoted to division manager in 1952.

Gilbert G. Tipton, a training consultant for the company and a former member of the aviation commission for the city of Portland, Ore., has been named to head the Eugene, Ore., district agency. Mr. Tipton was formerly a training consultant in the Pacific northwest for Prudential, going with the company as a Portland district agent in 1945, was appointed staff manager there three years later and received his consultant post last year.

Old Equity Life

Henry W. Karg has been named state manager of the central Ohio territory. He has been an agent for Old Equity in Ohio since joining the company in 1957, and before that was with Mutual Benefit H.&A. and Continental Casualty.

San Francisco Life Company Being Formed

A new company being incorporated as San Francisco Life is in the process of organization. The company proposes to sell $500,000 of $100 par stock. Incorporators are Karl Bach, for several years a Penn Mutual agent, and Sidney Rudy, Ben Finman and Richard N. Rapoport—all attorneys.

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Sunset Life of Olympia, Wash., has added an annual premium annuity to its portfolio. It may be written as a life annuity, or as a life annuity with a guaranteed period, either 10 or 20 years. Disability waiver of premium may be added. In event of death before the retirement date, the death benefit is the annual premium times the number of years the policy has been in force, or the cash value, whichever is greater.

Sees Minimum Deposit Creating Bad PR

(CONTINUED FROM PAGE 2)

upon a minimum deposit arrangement and invests the funds he "saves" thereby, the tax savings on the loan interest he pays is substantially offset by the tax he must pay on his investment income—in fact, it is exactly offset if his investment yield is the same as the policy loan interest rate. Incidentally, even these apparent tax savings could quickly disappear in the event that Congress were to eliminate the tax deductibility of policy loan interest.

Value Of Cash Values

There is another important aspect which should be of concern to the policyholder. Experience has demonstrated how effectively cash value life insurance has served the life insurance public. Some time during their lives, most people need the advantages of the "guaranteed dollars" provided by cash value types of life insurance. Minimum deposit arrangements rob the policy of permanency because they defeat this important emergency aspect of life insurance policies.

Such arrangements inherently involve the piling up of indebtedness instead of building up policy values. As we have seen in the past, where policyholders accumulate and maintain maximum indebtedness, they commonly find it necessary sooner or later to drop their insurance—possibly at a time when they are uninsurable. It goes without saying that this eventually leads to policyholder dissatisfaction.

Effect On The Agent

So much for the policyholder's angle. Let's now turn to the agent. If his company is offering a minimum deposit arrangement, he is apparently sitting pretty. He has a "gimmick" type of insurance to sell—one which, at the present time, is much talked about and which has had the apparent blessing of various tax services and advisers by their giving credence to the so-called tax savings.

Furthermore, for selling what is essentially decreasing term insurance, the agent gets a first-year commission which, in some companies, can be over 90% of the initial outlay that the policyholder has to put up in the first year. So wide open has this type of selling become that, in looking at the sales literature of some companies, it's difficult to tell what the premium is. In fact, one company is reported to show in its rate book the initial outlay rather than the premium rate.

Admittedly, the commission paid to the agent who sells one of these minimum deposit arrangements does not violate the letter of the New York law which limits the rate of commission to be paid. In my opinion, however, it seems questionable whether the law ever contemplated that a company would give to the agent a commission of something like 90% of the amount which the company receives in the first year from the policyholder.

On the other hand, if the agent's company does not offer a minimum deposit arrangement, he sees not only his prospects for new insurance being lured away but, what is also very important, many of his existing policyholders give up their insurance and are twisted over to a minimum deposit contract in another company. In fact, in the opinion of some company executives, this twisting has probably reached the stage where it is far worse than anything the industry has seen for some time.

The agent is faced with another dilemma. Let's again consider the case of a man age 45. Under a minimum deposit arrangemet of one company, he can get $100,000 of "whole life" insurance for an initial outlay of $1,975. The agent would receive a first-year commission of $1,840. On the other hand, if the same initial outlay of $1,975 were used to buy a comparable "regular" policy (without high early cash values) in the same company, it would provide a face amount of $59,043—and the agent would receive a first-year commission of $1,086.

Clearly a situation of this kind could very well lead to a possible conflict as between the interests of the policyholder and of the agent. In any event, it seems clear that minimum deposit arrangements tend to discourage the sound selling of insurance based on regular contracts and methods designed to meet specific needs—and that, after all, is the "heart" of the real insurance salesman's job.

Overwhelmed By 'Service'?

Another aspect about which many agents have expressed concern has to do with the matter of "service." They realize that these minimum deposit arrangements will most likely require a good bit of servicing from year to year. People frequently forget from one year to the next what they were told before.

This would mean, for example, having each year to explain the arrangement all over again, furnish loan application blanks, explain the handling of the tax deductibility of loan interest, and so on. In fact, as one good agent has expressed it, the service aspect might soon result in the agent being "a clerk and errand boy rather than a life insurance salesman."

So much for the agent's angle. Let's now turn to the company. From the company's point of view, what is bad for its policyholders and agents is bad for it. The loss of existing business undoubtedly can be serious and most unfortunate when one considers that the long-term permanent interests of its policyholders are not being properly served.

But let's look at another aspect of this as it affects the company—an aspect which only the company is in a position to evaluate and control.

The question of the level of guaranteed cash values to be provided by life insurance contracts has always been a matter of considerable management concern. Each company, within statutory limitations, has attempted to provide a liberal scale of cash values to withdrawing policyholders, while at the same time maintaining equity with existing policyholders.

Within this broad concept, there is naturally room for considerable differences in judgment and companies have traditionally, in their normal operations, had different levels of cash values, depending on their objectives, the type of policyholder they were serving, etc.

In recent years, the so-called "Minimum deposit" concept has placed greater emphasis on the matter of high early cash value policies and a review of the situation as it exists today indicates that this whole matter clearly requires reappraisal.

Take the case of one company's policy which provides a first year cash value equal to the reserve. For a man age 45, the premium is $34.34 per $1,000 and the first year cash value is $24.

(See table on next page, lower left)

But the company pays:
Commissions of 25%, or ....$ 8.59
Premium taxes of, say, 2%
n the average, or .... .69
nd the policy's share of the
rst-year mortality cost on our
urrent experience basis is
bout 1.68
These items total 10.96
Leaving a balance of 23.38

This means that, if the company ays the first-year cash value of $24, t is left with less than nothing to pay or expenses—underwriting, setting up f records, agency expenses and othrs.

Another company with a similar polcy charges a premium of $33.45 per 1,000, has a lower first year cash alue ($14.38), but pays a higher firstear commission. It winds up with n even bigger deficit at the end of he first year. For example:

The company pays:
Commissions of 55%, or $18.40
irst-year mortality cost (as
n the average, or .... .67
nd the policy's share of the
irst-year mortality cost (as
bove) is 1.68
These items total 20.75
Leaving a balance of 12.70

(See table below, right)

Here again, if the company pays the irst-year cash value of $14.38, its polcy likewise has less than nothing to contribute towards expenses.

Inherent in these policies with high early cash values, we have what, in my opinion, appears to be a departure from the usual concept of what the cash value should be. Theoretically, the cash value should be less than the reserve in the early policy years because, while the company may have enough to meet expenses and the policies' share of mortality costs, it has to draw on surplus to set up the full reserve.

Therefore, in order to protect persisting policyholders, cash values are generally geared to funds on hand so that surrenders normally involve little or no loss. The withdrawing policyholder is usually not given the full reserve as a cash value until the initial expense deficit has been liquidated.

In general, minimum deposit policies do not meet this concept. The policyholders who buy such policies and do not surrender them in the early policy years, or else the company's general body of policyholders, must take care of the burden created by the losses arising from those who quit without having contributed their share towards expenses. Neither the public buying these minimum deposit policies, nor the agents selling them, are in a position to evaluate the significance of this situation. All they can see is the low initial cost without "counting the cost."

It seems to me that, if the companies were to re-examine the application of this concept even for the first year only, we would go a long way toward correcting the present situation.

Or putting it another way, after payment of commissions and other agency expense reimbursement allowances, a first-year cash value should be reasonably related to the funds on hand after having each policy contribute its share of mortality costs and also a reasonable allowance for expenses. As a general principle, the first-year cash values should not differ significantly from the policyholders' theoretical equity.

In some instances, this could be accomplished by reducing the cash values or, in some cases, by spreading part of the first-year commission over some of the renewal years (in such a way as to maintain equivalence), or perhaps a combination of both of these things.

Tables Show Arithmetic

Attached are two tables which briefly illustrate the arithmetic involved in connection with some of the points discussed.

Table 1 shows, for the first policy year, the "balance" per $1,000 available for underwriting, issue and other expenses under high early cash value policies of two companies as compared with the "balance" under their comparable "regular" policies (that is, without high early cash values).

Table 2 shows, for the same two companies, a comparison of first year net outlays per $1,000 and commissions, as between high early cash value and "regular" policies. For their "regular" policies, it has been assumed that there is no loan financing.

Sees Bad Public Relations

To sum up, minimum deposit arrangements seem to have many ingredients which could ultimately lead to bad public relations on a large scale. They are fraught with elements which are bad for the policyholder, the agent, and the company.

While many policyholders use the loan provision of their policies (and this is a powerful feature of cash value life insurance), it is an entirely different matter when a policy has been deliberately sold on a basis which visualizes maximum policy loans from issuance of the policy. Particularly so, where the first year cash value exceeds the funds on hand, and is coupled with a first-year commission that represents an inordinately high percentage of the minimum amount which the company receives from the policyholder in the first year. Here we have something which in the long run can only do harm to the good name of life insurance.

Some High Early Cash Value Policies vs. Comparable "Regular" Policies

Cash Balance per $1,000 at End of First Policy Year for Expenses if Policy Lapses or is Surrendered

	Company "A"				Company "B"			
	High Early Cash Value Policy		Comparable "regular" policy		High Early Cash Value Policy		Comparable "regular" policy	
Age 25								
Premium		$17.45		$17.45		$17.74		$17.44
Commission#	$ 9.60		$ 9.60		$ 4.44		$ 9.59	
Taxes (2%)	.35		.35		.35		.35	
Mortality Cost+	.70		.70		.70		.70	
Cash Value	4.14		0		13.00		0	
Total		14.79		10.65		18.49		10.64
Balance (for Underwriting, Issue and Other Expenses)		$ 2.66		$ 6.80		$ -.75		$ 6.80
Age 35								
Premium		$23.50		$23.50		$24.12		$23.82
Commission#	$12.93		$12.93		$ 6.03		$13.10	
Taxes (2%)	.47		.47		.48		.48	
Mortality Cost+	.84		.84		.84		.84	
Cash Value	8.53		0		18.00		0	
Total		22.77		14.24		25.35		14.42
Balance (for Underwriting, Issue and Other Expenses)		$ .73		$ 9.26		$-1.23		$ 9.40
Age 45								
Premium		$33.45		$33.45		$34.34		$34.04
Commission#	$18.40		$18.40		$ 8.59		$18.72	
Taxes (2%)	.67		.67		.69		.68	
Mortality Cost+	1.68		1.68		1.68		1.68	
Cash Value	14.38		0		24.00		4.00	
Total		35.13		20.75		34.96		25.08
Balance (for Underwriting, Issue and Other Expenses)		$-1.68		$12.70		$ -.62		$ 8.96
Age 55								
Premium		$50.57		$50.57		$51.59		$51.29
Commission#	$27.81		$27.81		$12.90		$25.65	
Taxes (2%)	1.01		1.01		1.03		1.03	
Mortality Cost+	3.44		3.44		3.44		3.44	
Cash Value	21.90		2.72		31.00		12.00	
Total		54.16		34.98		48.37		42.12
Balance (for Underwriting, Issue and Other Expenses)		$-3.59		$15.59		$ 3.22		$ 9.17

Company "A" - Minimum policy $15,000 for high early cash value policy; $2,000 for "regular" policy. Results for both policies illustrated for highest amount group ($25,000 and over) under Company's graded premium program.

Company "B" - Minimum policy $25,000 for both plans illustrated.

NOTE: All results are illustrated for male lives.

1st Year Commission: Company "A" - 55% for both plans illustrated; Company "B" - 25% for high early cash value policy, 55% for "regular" policy (50% at age 55).

+ Based on N.Y.L. current experience (1957) mortality table used in asset shares.

Some High Early Cash Value Policies vs. Comparable "Regular" Policies *

Comparision of First Year Net Outlays per $1,000 and Commissions

	Company "A"		Company "B"	
	High Early Cash Value Policy	Comparable "regular" Policy	High Early Cash Value Policy	Comparable "regular" Policy
Age 25				
1st Year				
Premium	$ 17.45	$17.45	$ 17.74	$17.44
Policy Loan	3.94	0	12.38	0
Net Outlay (Minimum Deposit)	$ 13.51	$17.45	$ 5.36	$17.44
Commission#:				
Amount	$ 9.60	$ 9.60	$ 4.44	$ 9.59
as % of Net Outlay	71%	55%	83%	55%
Age 35				
1st Year				
Premium	$ 23.50	$23.50	$24.12	$23.82
Policy Loan	8.12	0	17.14	0
Net Outlay (Minimum Deposit)	$ 15.38	$23.50	$ 6.98	$23.82
Commission#:				
Amount	$ 12.93	$12.93	$ 6.03	$13.10
as % of Net Outlay	84%	55%	86%	55%
Age 45				
1st Year				
Premium	$ 33.45	$33.45	$34.34	$34.04
Policy Loan	13.70	0	22.86	0
Net Outlay (Minimum Deposit)	$ 19.75	$33.45	$11.48	$34.04
Commission#:				
Amount	$ 18.40	$18.40	$ 8.59	$18.72
as % of Net Outlay	93%	55%	75%	55%
Age 55				
1st Year				
Premium	$ 50.57	$50.57	$51.59	$51.29
Policy Loan	20.86	0	29.52	0
Net Outlay (Minimum Deposit)	$ 29.71	$50.57	$22.07	$51.29
Commission#:				
Amount	$ 27.81	$27.81	$12.90	$25.65
as % of Net Outlay	94%	55%	58%	50%

Company "A" - Minimum policy $15,000 for high early cash value policy; $2,000 for "regular" policy. Results for both policies illustrated for highest amount group ($25,000 and over) under Company's graded premium program.

Company "B" - Minimum policy $25,000 for both plans illustrated.

* "Regular" policy assumes no loan financing is involved. (Company "A" does not provide for 1st year policy loan on its "regular" policy, but Company "B" does.)

NOTE: All results are illustrated for male lives.

1st Year Commission: Company "A" - 55% for both plans illustrated; Company "B" - 25% for high early cash value policy, 55% for "regular" policy (50% at age 55).